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FINANCIAL SITUATION OF UNIDO

Proposed payment plan for Ukraine

Report by the Director-General

Reports on developments since the adoption of Board decision IDB.24/Dec.3.

Introduction

1. At its twenty-fourth session, the Board considered the request of Ukraine to pay its arrears in instalments, as set out in document IDB.24/25. In its decision IDB.24/Dec.3, the Board requested the Director-General to negotiate an agreement with Ukraine for a payment plan and to submit the plan for decision to the ninth session of the General Conference. The present document is presented in compliance with that decision.

2. Pursuant to Board decision IDB.24/Dec.3, discussions were held with Ukraine with a view to negotiating a draft payment plan. The objective was to take into account the provisions of IDB.24/Dec.3, while minimizing the number of years during which instalments would be paid. Moreover, information was solicited from other organizations in the United Nations system with respect to both payment plans and to the restoration of voting rights in governing bodies.

I. STATUS OF ARREARS AND PAYMENTS MADE

3. Table 1 shows the status of outstanding contributions as at 31 October 2001. As shown in table 2, Ukraine has paid over \$8.7 million since 1986.

II. DRAFT PAYMENT PLAN

4. In a letter dated 16 November 2001, the Permanent Representative of Ukraine to UNIDO informed the Director-General of the decision of Ukraine to reduce the duration of the proposed payment plan to 10 years, and that the draft agreement was under consideration by the Government. Annex I to the present document contains that letter, while the draft payment plan is shown in annex II. The Conference will be notified in an addendum to the present document of further developments.

For reasons of economy, this document has been printed in a limited number. Delegates are kindly requested to bring their copies of documents to meetings.

Table 1
Status of outstanding contributions of Ukraine
(As at 31 October 2001)

Year	Scale of assessments	Amounts	
		US\$	ATS
2001	0.2810	33,697	1,974,233
2000	0.2810	33,697	1,974,233
1999	1.5400	968,131	--
1998	1.5400	968,131	--
1997	1.5200	1,300,546	--
1996	1.5844	1,355,647	--
1995	1.9600	2,283,441	--
1994	1.9600	<u>1,448,776</u>	--
TOTAL		8,392,066	3,948,466 or €286,946

Table 2
Payments made by Ukraine
(In US dollars, at rate of exchange applicable at time of payment)

Date	Amount	Date	Amount
1998-08-19	200,000	1989-11-27	91,629
1995-12-04	400,000	1989-11-24	363,386
1995-11-28	500,000	1989-06-27	104,125
1995-11-10	500,000	1989-06-26	332,460
1995-05-05	200,000	1989-06-21	12,495
1995-02-22	1,500,000	1988-12-01	59,998
1993-10-22	230,000	1988-11-30	376,158
1993-08-18	58,851	1988-07-14	31,910
1993-06-15	58,851	1988-06-30	42,941
1991-04-30	72,450	1988-06-30	104,442
1991-04-22	2,111	1988-06-23	391,832
1991-04-17	457,839	1988-06-20	12,533
1990-10-16	157,631	1987-11-13	314,903
1990-07-18	65,620	1987-11-29	395,944
1990-07-18	317,895	1987-06-22	42,941
1990-04-27	74,569	1987-02-23	42,941
1990-04-27	454,271	1986-09-30	<u>748,947</u>
1990-04-20	8,949		
		TOTAL	8,728,622

III. VOTING RIGHTS

5. Article 5.2 of the UNIDO Constitution stipulates that any Member in arrears in the payment of its financial contributions to the Organization shall have no vote in the Organization if the amount of its arrears equals or exceeds the amount of the assessed contributions due from it for the preceding two fiscal years. Any organ may, nevertheless, permit such a member to vote in that organ if it is satisfied that the

failure to pay is due to conditions beyond the control of the member. Voting rights are governed by the respective rules of procedure of the governing bodies (rule 91 of the General Conference, rule 50 of the Industrial Development Board and rule 42 of the Programme and Budget Committee).

6. In its report to the Board, the open-ended discussion group on timely payment of assessed contributions stated: "When considering applications for

the restoration of voting rights, the competent body should regularly take into account the state of payments made under an agreed payment plan" (IDB.19/12 and Corr.1, para. 14).

7. As stated in the letter to the Director-General (annex I), the Government of Ukraine intends to address the issue of restoration of its right to vote.

IV. OTHER ORGANIZATIONS

Duration of payment plans

8. Table 3 shows information on the duration of payment plans in other organizations

Table 3
Duration of payment plans

Organization	No. of years
Food and Agricultural Organization of the United Nations (FAO)	10
International Civil Aviation Organization (ICAO)	10-15
International Atomic Energy Agency (IAEA)	5
International Labour Organization (ILO)	20
International Maritime Organization (IMO)	10
International Telecommunication Union (ITU)	10
United Nations	no provision
United Nations Educational, Scientific and Cultural Organization (UNESCO)	10
Universal Postal Union (UPU)	10
World Health Organization (WHO)	10
World Intellectual Property Organization (WIPO)	10

(Source: Administrative Committee on Co-ordination, High Level Committee on Management, "Cash management, voting rights" (ACC/2001/HLCM/2(Rev)), 5 April 2001).

9. Almost all organizations permit the restoration of voting rights if the governing bodies are satisfied that failure to pay was beyond the control of a member. The following information on voting rights was obtained also from document ACC/2001/HLCM/2(Rev):

- **ICAO:** Member States that are more than three years in arrears have their voting power suspended unless they have concluded an agreement to provide for payment of the balance of the arrears. Suspension takes place also if the contracting State

thereafter fails to comply with the terms of the agreement.

- **ILO:** Any decision permitting a member to vote is valid as long as the member concerned pays both its current contribution and the instalments on its arrears. A member loses the right to vote if it does not respect the arrangement.
- **UNESCO:** After the General Conference has approved the payment plan, any decision by the Conference permitting the Member State to vote shall be valid as long as the Member concerned pays its annual instalment by the scheduled dates.
- **WHO:** The organization has adopted individual resolutions for several Members in which it decided not to suspend voting privileges owing to the acceptance of a proposal that the outstanding contributions will be settled by instalment.
- **WIPO:** As long as a country enters into arrangements for instalment payment of arrears and as long as it adheres to them, the bodies in which that country loses its voting rights should favourably consider a request to restore the voting rights.

Status of payment of contributions to other organizations

10. Document ACC/2001/HLCM/2(Rev) shows that Ukraine did not have voting rights in the following organizations as of 31 December 2000: IAEA, ITU, UNIDO and WHO. Since that time, Ukraine has regained voting rights with the International Atomic Energy Agency.

11. UNIDO has been informed that Ukraine has signed payment plans with ILO (in 2000, duration 14 years) and UNESCO (in 1999, duration six years). In both organizations, voting rights at the General Conference were restored immediately. In ILO, the period of validity of a decision to permit a member in arrears to vote is covered under Article 32 of the Standing Orders of the International Labour Conference, which stipulates, inter alia, that a member that continues to meet its obligations under a payment plan as well as obligations for the current year shall continue to have voting rights.

V. ACTION REQUIRED OF THE CONFERENCE

12. Upon receipt from Ukraine of its agreement to the draft payment plan, the Conference will have to take a decision on the payment plan, in accordance with the recommendation of the Board (IDB.24/Dec.3), as well as on the question of voting rights

Annex I

LETTER FROM THE PERMANENT MISSION OF UKRAINE

Permanent Mission of
Ukraine to the International
Organizations in Vienna

N 3331/21-194/029/1-2495

16 November 2001

Excellency,

I have the honour to refer to Industrial Development Board decision IDB.24/Dec.3 as well as to Mr. N. Mohanty's letter dated 23 August 2001 regarding the settlement of arrears to the United Nations Industrial Development Organization (UNIDO) through a payment plan.

As you are aware, Ukraine had proposed to settle its arrears through a payment plan agreement with a duration of 15 years, as reported to the Industrial Development Board. Subsequently, the Board adopted decision IDB.24/Dec.3, in which it requested the Director-General to negotiate an agreement with Ukraine for a payment plan, bearing in mind the capacity of Ukraine to settle its arrears, as contained in document IDB.24/25, and to submit the plan for decision to the ninth session of the General Conference. It further noted that the payment plan, which was subject to the timely payment of arrears, should be as close as possible to a five-year period but not exceed a term of 15 years.

Despite the severe economic difficulties faced by Ukraine it was decided, after negotiating with the UNIDO Secretariat, to reduce the duration of the proposed payment plan from 15 to 10 years. The draft agreement, based on a ten-year payment plan, is now being considered by the Government of Ukraine. It is our intention to submit it to the ninth session of the UNIDO General Conference immediately after the decision on this matter is taken by the Government of Ukraine.

At the same time, taking into account the fact that the arrears accumulated by Ukraine emerged due to reasons beyond its control, and wishing to restore the full-fledged participation in the UNIDO work, the Government of Ukraine intends also to address by the General Conference to restore its right to vote, commencing with the ninth session. In this way, Ukraine can play an active role in the decision-making process of the governing body

After entering the agreement into force, the necessary payments will be made by the Government of Ukraine in conformity with the proposed payment plan. It is also our understanding that should, for any reason, the instalments not be paid in accordance with the terms of the payment plan, voting rights will be suspended.

Please accept, Excellency, the assurances of my highest consideration.

[Signed]

Volodymyr Ohrysko
Permanent Representative, Ambassador

H. E. Mr. Carlos Magariños
Director-General
United Nations Industrial Development Organization

Annex II

DRAFT AGREEMENT BETWEEN THE UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION AND THE GOVERNMENT OF UKRAINE CONTRIBUTIONS UNDER A PAYMENT PLAN

1. The United Nations Industrial Development Organization (hereinafter "UNIDO") and the Government of Ukraine (hereinafter "the Government") have agreed to a payment plan which will enable the Government to settle its arrears of outstanding assessed contributions in accordance with decision GC.9/Dec... adopted on ... December 2001 by the General Conference.

2. The total outstanding assessed contributions owed by the Government to UNIDO, at the date of this Agreement, amounts to United States dollars 8,392,066 and Austrian schillings 3,948,466 (€286,946). These amounts relate to the period 1994 to 2001 and are shown in the attached annex A and made an integral part hereof.

3. The Government undertakes to pay the above amounts (USD 8,392,066 and ATS 3,948,466 or €286,946) as well as future years' assessed contributions (2002 onwards), in instalments over a period of ten years from the date of this Agreement. These amounts are to be transferred to the following UNIDO bank accounts:

- (a) Dollar portion: UNIDO/IDF account No: 949-2-416442, JPMorgan Chase Bank, International Agencies Banking, 1166 Avenue of the Americas, 17th Floor, New York, N.Y. 10036-2708, USA
or UNIDO general account No: 0127-00662, Creditanstalt AG, Schottengasse 6,
A-1010 Vienna, Austria
- (b) Austrian schilling/euro: UNIDO shilling account No: 29-05107, Creditanstalt AG, Schottengasse 6,
A-1010 Vienna, Austria

4. The Government undertakes to discharge its payment obligations in accordance with the following schedule of payments, and also undertakes to pay its future assessed contributions in full and on time in accordance with the UNIDO financial regulations:

Payment date	Arrears *		Current year's contributions (euros)	Total
Within two months upon approval by GC of this Agreement	US\$602,062	€286,946	**	US\$602,062 and €286,946
By 31 October 2002	865,556		**	
By 31 October 2003	865,556		**	
By 31 October 2004	865,556		**	
By 31 October 2005	865,556		**	
By 31 October 2006	865,556		**	
By 31 October 2007	865,556		**	
By 31 October 2009	865,556		**	
By 31 October 2010	865,556		**	
By 31 October 2011	865,556		**	
Total	\$8,392,066	€ 286,946		

* In accordance with decision GC.9/Dec..., all arrears will be converted to euros by applying the fixed rate of ATS 13.7603 = €1 and US\$, ... at the United Nations rate of exchange as at 31 December 2001.

** Contributions to be determined by the General Conference approval of the scale of assessments and the programme and budgets.

5. In the case of failure by the Government to meet the agreed payment plan, Article 5.2 of the Constitution of UNIDO and financial regulation 5.5(c) shall apply. A delay of more than three months in the payment of each individual instalment due shall be considered as non-compliance with this Agreement.

6. All communications required under this Agreement shall be in writing and addressed as follows:

For the Government:

For UNIDO:

Director and Treasurer, Financial Services, Financial Performance
Control Branch, Field Operations and Administration Division
P.O. Box 300
A-1400 Vienna, Austria

7. This Agreement shall enter into force upon signature by the Parties.

The undersigned, being duly authorized thereto, have signed the present Agreement in three copies in English.

For the Government of Ukraine:

Name: _____

Functional title:

At:

On this day of 2001.

For the United Nations Industrial
Development Organization

Name: _____

Functional Title:

At:

On this day of 2001.

United Nations Industrial Development Organization

Member State Contributions

	US dollars	Austrian schillings
Net UNIDO regular budget requirements for each year of the 2000-2001 biennium in accordance with General Conference decision GC.8/Dec.17	23,983,400	1,405,147,980
Total assessment for 2001	11,991,700	702,573,990
Level of Working Capital Fund in accordance with General Conference decision GC.8/Dec.14	6,610,000	

UKRAINE

Rate of assessment applicable in accordance with General Conference decision GC.8/Dec.13 0.2810%

	Outstanding year(s)	US\$	ATS
Regular budget contribution for	2001	33,697	1,974,233
UNPAID PRIOR YEARS			
	1994	1,450,453	0
	1995	2,283,441	0
	1996	1,355,647	0
	1997	1,300,546	0
	1998	968,131	0
	1999	968,131	0
	2000	33,697	1,974,233
Adjustments*		-1,677	0
Total outstanding**		8,392,066	3,948,466

* Adjustments in accordance with financial regulation 5.2(d) and overpayments, if applicable.

** In accordance with decision GC.9/Dec. ... all outstanding contributions will be converted to euros by applying the fixed rate of ATS 13.7603 = €1 and US\$... at the United Nations rate of exchange as at 31 December 2001.